Chapter 5

DIVISION OF MENTAL HEALTH FUNDING PICTURE

Figure 7 compares the State Fiscal Years (SFY) 94-95, SFY 96-97, and SFY 98-99 Division of Mental Health (DMH) biennial appropriations for community-based and state psychiatric hospital services and for administration. There was an $18.5 million increase for community-based services in the SFY 98-99 biennium. This represents a $27.5 million dollar increase to mental health and an $8.9 million decrease for addictions services.

DMH Biennium Appropriations
SFY 94-95, SFY 96-97 and SFY 98-99
Operating Budget

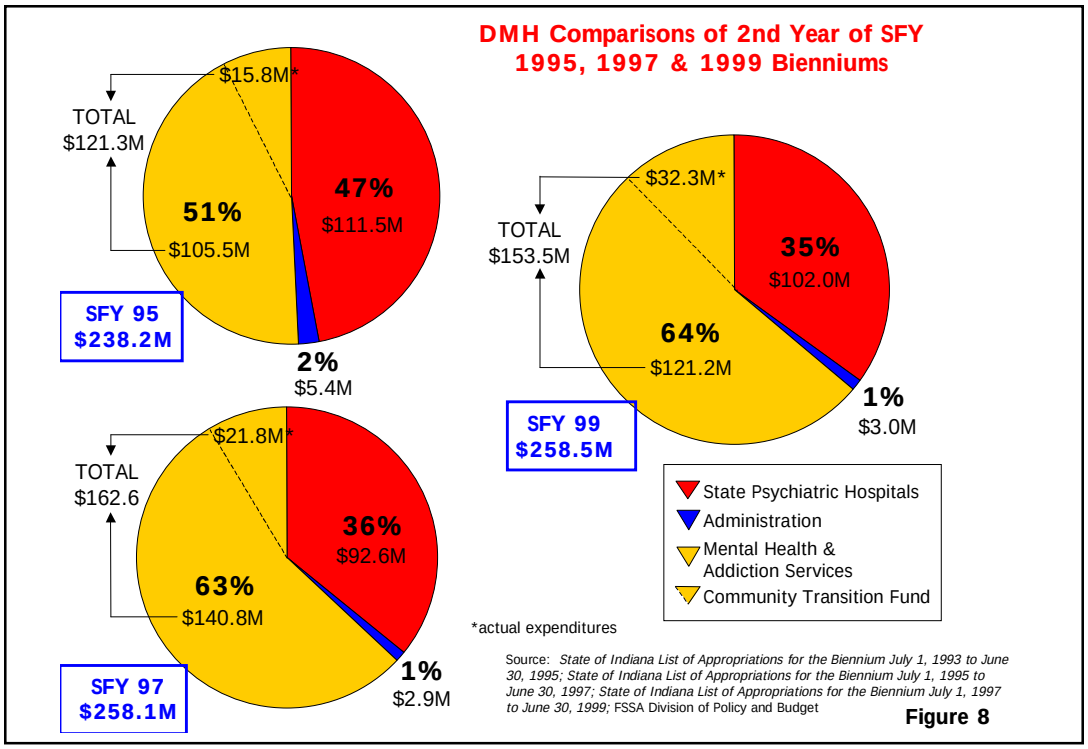
	SFY 94-95	SFY 96-97	SFY 98-99
Community-Based Services	$211.6M	$279.4M	$297.9M
Community-Based Mental Health	$173.2M	$199.7M	$227.2M
Community-Based Addiction	$38.3M	$79.6M	$70.7M
State Hospital Services	$254.2M	$228.8M	$211.1M
TOTAL SERVICES	**$465.8M**	**$508.2M**	**$509.0M**
ADMINISTRATION	**$10.7M**	**$5.7M**	**$6.0M**
TOTAL DMH BUDGET	**$476.5M**	**$513.9M**	**$515.0M**

Source: *State of Indiana List of Appropriations for the Biennium July 1, 1993 to June 30, 1995; State of Indiana List of Appropriations for the Biennium July 1, 1995 to June 30, 1997; State of Indiana List of Appropriations for the Biennium July 1, 1997 to June 30, 1999*

Figure 7

Second-Year of Biennium Comparisons

Figure 8 illustrates the SFY 1995, SFY 1997 and SFY 1999 DMH budgets including the Community Transition Fund (CTF). The CTF is a mechanism by which DMH transfers dollars from the state hospitals to community-based care once the state budget is in place. In SFY 1995, the CTF supported $15.8 million in community-based services; in SFY 1997, the CTF supported $21.8 million in community-based services. Between SFY 1995 and SFY 1997, community-based mental health and addiction services dollars increased by a total of 34 percent, or $41.3 million.



Source: *State of Indiana List of Appropriations for the Biennium July 1, 1993 to June 30, 1995; State of Indiana List of Appropriations for the Biennium July 1, 1995 to June 30, 1997; State of Indiana List of Appropriations for the Biennium July 1, 1997 to June 30, 1999;* FSSA Division of Policy and Budget

Figure 8

Federal Block Grants

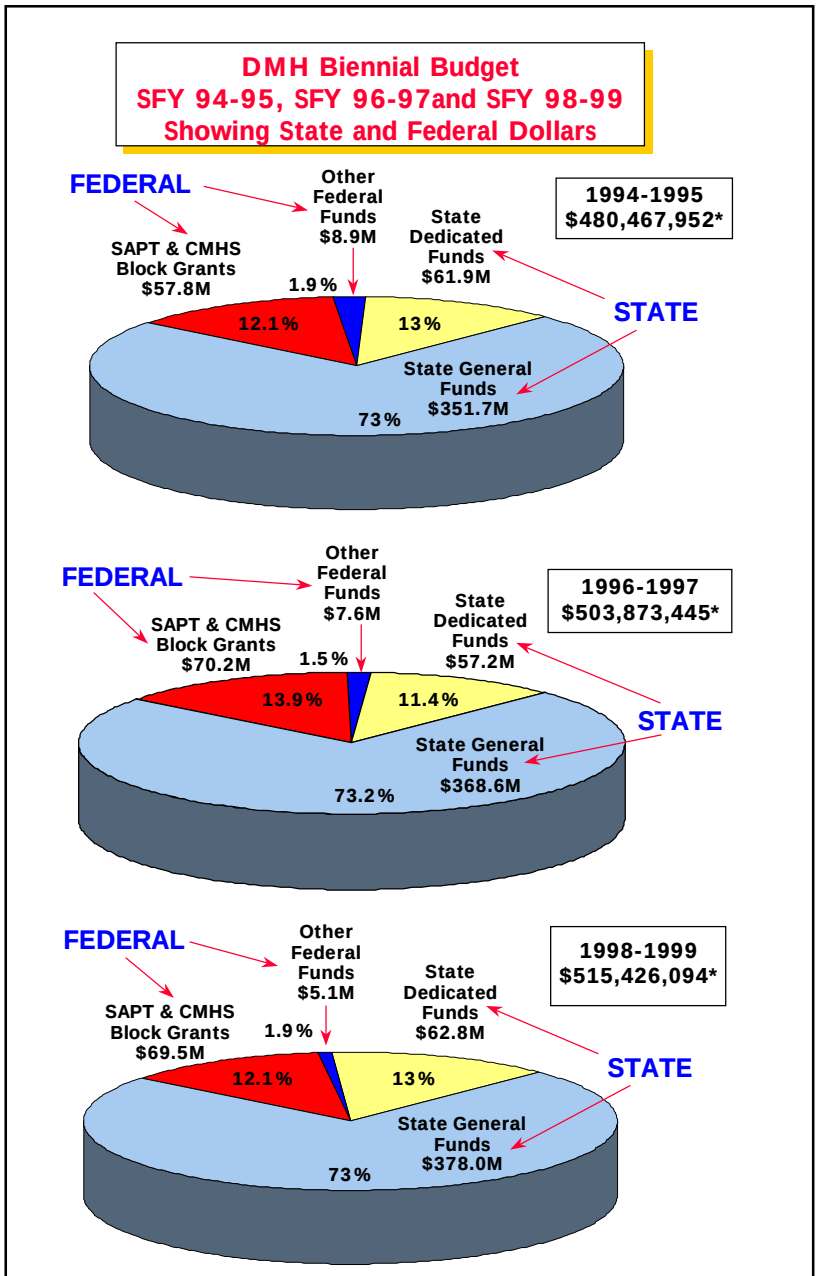
Because of the timing of federal awards, the Indiana state budget uses estimates in appropriating the Division's federal block grant dollars. In the SFY 1998-1999 biennium, actual Federal Substance Abuse Prevention and Treatment (SAPT) and Community Mental Health Services (CMHS) block grant awards accounted for 12.1 percent of the DMH budget, down from 13.9 percent in the previous biennium. See **Figures 9 and 10.**

Federal Block Grants Administered by DMH
SFY 94 - SFY 99

State Fiscal Year	Substance Abuse Prevention / Treatment (SAPT)	Community Mental Health Services (CMHS)	Block Grant Totals
SFY 94	$19M	$11.3M	$30.3M
SFY 95	$21M	$6.5M	$27.5M
Biennium Total	**$40M**	**$17.8M**	**$57.8M**
SFY 96	$29.2M	$6.3M	$35.5M
SFY 97	$28.4M	$6.3M	$34.7M
Biennium Total	**$57.6M**	**$12.6M**	**$70.2M**
SFY 98	$30.9M	$6.3M	$37.2M
SFY 99	$32.5M	$6.3M	$38.8M
Biennium Total	**$63.4M**	**$12.6M**	**$76.0M**

Source: DMH Office of Transitional Services

Figure 9



(99% due to rounding)

*Totals based on actual SAPT & CMHS block grant awards, not appropriations

Source: State of Indiana List of Appropriations for the Biennium July 1, 1993 to June 30, 1995; State of Indiana List of Appropriations for the Biennium July 1, 1995 to June 30, 1997; State of Indiana List of Appropriations for the Biennium July 1, 1998 to June 30, 1999

Figure 10

SAPT Block Grant

The SAPT block grant is administered by the federal Department of Health and Human Services Center for Substance Abuse Services, Substance Abuse and Mental Health Services Administration (SAMHSA). To receive these funds, an annual application with public review is necessary.

Receipt of this block grant has brought with it federally-imposed spending requirements. Two of the requirements are that 20 percent of the award must be spent for alcohol and drug abuse prevention services and that treatment services for pregnant women and women with dependent children must be funded. In SFY 96, support of substance abuse services for persons at high risk of contracting the human immunodeficiency virus (HIV) was an added requirement. In SFY 99, the Division spent over $6.6 million for prevention services, over $5.5 million for services for pregnant women and women with dependent children and $1.5 million for early HIV intervention services.

As in the past, the state is required to maintain these expenditures as a condition of receiving this block grant. In SFY 98, the Division was required to spend just under $2 million for substance abuse services for persons with a disability determination of drug addiction or alcoholism who were or are eligible for Social Security Disability (SSD) or Supplemental Security Income (SSI) payments.

CMHS Block Grant

The CMHS block grant is administered by SAMHSA. To receive these funds, the Division develops an annual state plan and an implementation report for the preceding year addressing eight criteria related to a comprehensive, community-based system of care for adults with serious mental illness (SMI) and for children with serious emotional disturbance (SED). Activities related to this block grant are overseen by the Mental Health Planning Council, made up of members of the Division's Mental Health Advisory Council (MHAC) and its advisory committees for adults with SMI and children with SED.

Both federal block grants will be relying more on performance outcome measurement in the future. SAMHSA is working to achieve a greater reliance on successful performance through its Knowledge Development and Application program (KDA). Priorities for Knowledge Development include managed care, early childhood problems, working families, and improving community services.

Other Federal Dollars

The Division receives federal dollars which are not part of either the SAPT or the CMHS block grants from the U.S. Departments of Education and Health and Human Services. In the SFY 98-99 biennium, these "other" federal dollars accounted for 1% of the DMH budget, compared with 1.5% in the previous biennium.

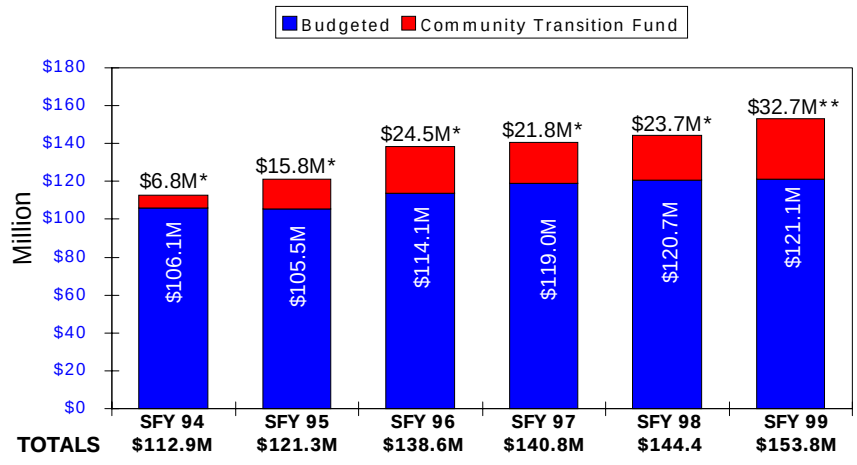
State Dollars

State dollars include a portion of taxes collected on the sale of alcoholic beverages and cigarettes, funds collected by the clerk of courts from various court fees, and ten cents of each riverboat casino admission fee. In the SFY 98-99 biennium, state dollars represented 85% percent of the total DMH budget, compared with 84.6 percent of the total SFY 96-97 biennium and 86 percent of the SFY 94-95 budget.

Community-Based Funding

Figure 11 illustrates that DMH-budgeted dollars for community-based care increased by $40.9 million between SFY 1994 and SFY 1999.

Comparative Community-Based Funding for Mental Health and Addiction Services SFY 94 - SFY 99



*SFY 94-98 based on expenditures;
**SFY 99 based on estimated expenditures

Sources: *State of Indiana List of Appropriations for the Biennium July 1, 1993 to June 30, 1995;*
State of Indiana List of Appropriations for the Biennium July 1, 1995 to June 30, 1997;
State of Indiana List of Appropriations for the Biennium July 1, 1997 to June 30, 1999;
FSSA Division of Policy and Budget

Figure 11

MRO Overview

The Medicaid Rehabilitation Option (MRO) is a funding mechanism for community-based services for persons with mental illness and/or chronic addiction and children or adolescents with a serious emotional disturbance. Persons eligible for MRO services are those who are eligible for Medicaid and who meet one of the diagnostic categories under the Hoosier Assurance Plan (HAP). The diagnostic categories are: adults with Serious Mental Illness (SMI), children with Serious Emotional Disturbance (SED), and persons with Chronic Additions (CA).

Medicaid is a state/federal partnership that pays for medically necessary services for people who are indigent. Under an interagency agreement between the Office of Medicaid Policy and Planning (OMPP) and DMH, DMH is responsible for the day to day administration of MRO.

DMH contracts with community mental health centers (CMHCs) throughout the state to provide MRO services. CMHCs are certified, nonprofit organizations that are responsible for making available to Hoosiers, accessible, acceptable, and effective mental health and chemical addictions services.

Through the federal/state partnership, each year the federal government pays about 62% for MRO services. The remaining, approximately 38%, (the State match) is shared by DMH and the CMHCs.

Gross expenditures (state and federal) in the programs have continued to grow. The program's first fiscal year gross expenditures (in 1993) amounted to approximately $13 million. By SFY 1999, gross expenditures exceeded $122 million.

Targeted case management services account for a significant portion of total MRO gross expenditures. For SFY 1998 and SFY 1999, case management gross expenditures were $46 million and $48 million respectively. These expenditures account for about 44% of gross expenditures in SFY 1998 and 38% in SFY 1999.

The number of consumers receiving MRO services has continued to increase. In SFY 1993, almost 9,000 individuals received MRO services. That number grew to more than 34,000 individuals in SFY 1999.

The MRO program continues to develop and be refined. During the last biennium period, the Best Practices Committee was established to develop "best practices" for services available through the program to ensure that participating providers are compliant with Medicaid regulations and other program requirements.

The committee is composed of representatives from CMHCs who are clinicians or otherwise involved in developing or managing programs, representatives from DMH, and a representative from the Indiana Council of Community Mental Health Centers (ICCMHC). The committee led the development of the Staff Reference and Training Manual. In SFY 1999, the committee spearheaded recommended changes in the Partial Hospitalization Program to be consistent with industry standards.

The Billing Committee, composed of representatives from CMHCs, DMH, Electronic Data Systems, Inc. (EDS) - OMPP's fiscal agent, and ICCMHC, involved in Medicaid billing, was also established. This committee provides guidance and clarification of billing policies and procedures, as well as ensures that billing practices are consistent with Medicaid regulations and other program requirements. It provides a direct link between the CMHCs, DMH, and EDS.

Increased MRO Funding, SFY 1993-1999

Between SFY 1993 and SFY 1999, CMHCs accessed almost $285 million in additional funds through federal MRO to pay for outpatient mental health, partial hospitalization and case management services for persons with SMI or a chronic addiction (CA) and children and adolescents with SED. These funds are not part of the Division budget but are accessed directly by CMHCs for the above purposes through matching funds already appropriated to the Division. For every $38 "invested" via state "match" dollars, Indiana providers access $62 in new federal funds. MRO funds will increase as long as matching funds are available and no federal "cap" is placed on them. See **Figure 12.**

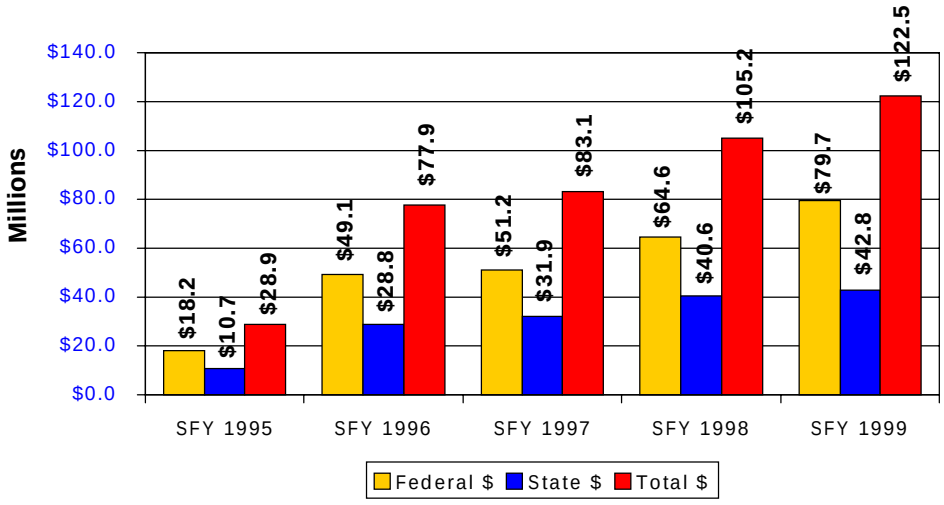


Figure 12

Research Funding, SFY 1998-1999

Division-supported research decreased by approximately $300,000 between SFY 1998 and SFY 1999. In SFY 1998, $2,657,678 was spent for research and in SFY 1999, $2,351,057 was spent for research. This decrease is largely due to Wm. M. Mercer, Inc.'s Actuarial Study. DMH administered research projects are supported by both federal and state dollars. For detailed information on DMH-supported research, see the Research and Prevention section under the HAP Section.

Prevention Funding, SFY 1998-1999

DMH-supported prevention of alcohol, tobacco and other drug abuse efforts are 95 percent federally funded. Between SFY 1998 and SFY 1999, dollars dedicated to prevention efforts increased by $785,000. For more detailed information, see the Research and Prevention section under the HAP Section.

Gambling Funding, SFY 1998-1999

The 1993 Indiana General Assembly passed a law requiring that ten cents of each admission tax to Indiana riverboats be paid to DMH and placed in the Gambler's Assistance Fund. The 1995 General Assembly amended the law for these monies to be used "...for the prevention and treatment of addictions to drugs, alcohol, and compulsive gambling, including the creation and

maintenance of a toll-free telephone line to provide the public with information about these addictions" and required that the Division "...allocate at least 25% of the funds...to the prevention and treatment of compulsive gambling." **Figure 13** reflects allocations to DMH from the Gambler's Assistance Fund.

Gambler's Assistance Fund	
	Allotted
FY 1996	$38,200
FY 1997	$1,000,000
FY 1998	$1,200,000
FY 1999	$3,000,000
FY 2000	$3,250,000

Figure 13

HAP Funding, SFY 1998-1999

The HAP replaced the "deficit" and grants-in-aid funding methodologies with a methodology directly funding eligible consumers in targeted populations. Accounts which had been utilized to pay for mental health and addictions services were "pooled" into two funds: a HAP fund for mental health services and a HAP fund for addiction services. A complete discussion of the HAP is found in the HAP Section.

Implementation of the HAP was phased in beginning in SFY 1996. At that time, all thirty CMHCs joined in piloting the new funding system for services to adults with SMI and children and adolescents with SED. Ten centers, later joined by a freestanding addiction provider, piloted the new system for persons with chronic addictive disorders. In SFY 1997, full implementation of the plan for substance abuse services occurred. SFY 1998 brought implementation of the plan for services to children and adolescents with SED and for persons with compulsive gambling disorders. Finally, in SFY 1999, the plan was fully implemented for adults with SMI.

Non-HAP Service Dollars, SFY 1998-1999

Projects which directly benefit consumers but which were not part of the capitated HAP payments are included in the non-HAP service dollar category. See **Figure 14.**

Special Projects and Other Services					
Program	**SFY 95**	**SFY 96**	**SFY 97**	**SFY 98**	**SFY 99**
Early HIV Intervention	-	$600,000	$600,000	-	$1,548,069*
Drug Outreach Services	$487,300	$501,570	$505,364	$487,992	$515,475
Methadone Services	$668,000	$701,760	$698,104	$553,500	$731,250
Intervention Services SA	$629,655	$672,846	$598,986	0	0
MA Homeless (PATH)	$392,000	$300,000	$236,258	$392,000	$316,000
Shelter Plus (rent subs.)	$497,700	$497,700	$367,373	$392,977	$1,523,986 (for 5 year period)
Support Employment	-	$243,644	$373,448	$373,448	$218,700 (proposal)
Support Employment Follow-along	$958,483	$958,483	$373,448	Blended Funding	Blended Funding
Key Consumer (operational & peer combined)	$40,650	$125,650	$97,650	$110,150	$105,000
Referral/Complaint Lines	$146,778	$146,778	$87,480	$87,480	$96,490
Riley Clinic	$152,996	$152,996	$152,996	$152,996	$152,996
Ombudsman Program	$12,000	$36,000	$36,000	$36,000	$36,000
TOTALS	$3,985,562	$4,937,427	$4,127,107	$3,799,921	$5,243,966

*Obligated Funds

Sources: *FSSA Budget and Planning, DMH Office of Contract Management*

Figure 14